



# Policy for Selection and appointment of Directors

## History of Revisions

Version	Summary of Revisions	Date of Approval
1.5	Annual Review	09-Nov-20
1.4	Regulatory Changes	21-Nov-19
1.3	Annual Review	31-Jan-19
1.2	Annual Review	30-Jan-18
1.1	Policy Formulation	31-Jan-17

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## 1. Preamble

### 1.1. Objective of the Policy

The objective of this Policy is to provide a framework, which will enable the Equitas Small Finance Bank to ensure that the Directors of the Bank who are responsible for steering the affairs of the Bank are fit and proper, besides having the necessary qualifications, at the time of their appointment as well as on a continuing basis.

### 1.2. Scope of the Policy

- a. This policy will cover the role, rights and responsibilities of the Equitas Small Finance Bank (ESFB or “Bank”) to establish a system/process for undertaking due diligence of persons before appointing them on the Board and on continuing basis by ascertaining their suitability for the post on the basis of their qualifications, technical expertise, track record, integrity
- b. This policy also enumerates the “Fit and Proper” criteria used in selection of Directors of the Bank

### 1.3. Definitions

- a. “Bank” means Equitas Small Finance Bank Limited.
- b. “Board” means Board of Directors of the Bank.
- c. “Committee” means the Remuneration and Nomination Committee of the Board of Directors of the Bank constituted under provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- d. “Directors” mean individual Director or Directors on the Board of the Bank.
- e. LODR means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- f. “Policy” means the Policy for Selection of Directors.

## 2. Regulatory Framework Applicable Regulations

### 2.1 [Section 149 of Companies Act, 2013](#)

- a. Bank being a Public Company should have at least three Directors and Maximum of 15 Directors. Every company should have Board of Directors consisting of individuals as Directors. (Section 149.1 of the Act)
- b. Bank should have at least one director who has stayed in India for a total period of not less than one hundred and eighty-two days in the previous calendar year (Section 149.3 of the Act)

- c. Bank being a listed public company should have at least one-third of the total number of directors as independent directors (Section 149.4 of the Act)
- d. Bank to follow the guidelines on appointment of an independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director (Section 149.6 of the Act)
- e. Every independent director should at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances, which may affect his status as an independent director, give a declaration that he meets the criteria of independence. (Section 149.7 of the Act)

## **2.2 Banking Regulation Act, 1949**

- a. Every banking company should appoint a whole time or a part-time Chairman of Banking Company selected amongst its Directors. (Section 10 B of BR Act)
- b. Where a Chairman is appointed on a part-time basis,
  - i. such appointment should be with the prior approval of the Reserve Bank of India
  - ii. The management of the whole of the affairs of such banking company should be entrusted to a Managing Director who will exercise his powers subject to the superintendence, control and direction of the board of Directors. (Section 10 B (1A) of BR Act)

## **2.3 RBI Notification on Special knowledge or practical experience useful to banking companies dated November 24, 2016**

For persons who could be considered for appointment of Director in the bank, to guide the bank in managing the diversified business portfolios and risks, can be chosen from broader fields of specialization

- (i) Information Technology
- (ii) Payment & Settlement Systems
- (iii) Human Resources
- (iv) Risk Management and
- (v) Business Management (Para 1 of the Notification)

## **2.4 RBI Circular on 'Fit and Proper' Criteria for Directors on the Boards of Banks dated May 23, 2011**

Bank should obtain "Declaration and Undertaking" from existing directors as well as the person to be appointed / elected as director for the purpose of conducting due diligence to determine the 'fit and proper' status of directors (Clause 2 of the circular)

### **3. ESFB Policy framework**

#### **3.1 Criteria for Board Membership**

##### **a. Directors**

The Bank will take into account following points:

- i. Director must have relevant experience in Accountancy/Agriculture and rural economy/Banking/Cooperation/Economics/Finance/ Law/ Human Resources/ Strategy / Small Scale Industry/Sales/ Marketing/ Administration/ Research/ Corporate Governance / public policy/ IT/ Risk Management/ Business Management/ Payment & Settlement Systems or any other disciplines related to Bank's business.
- ii. Director will possess the highest personal and professional ethics, integrity and values.
- iii. Director must be willing to devote sufficient time and energy in carrying out their duties and responsibilities.

##### **b. Independent Director**

Independent Director is a director who has no direct or indirect material relationship with the Bank or any of its officers, other than as a director or shareholder of the Bank. Independent Director will meet all criteria specified in Section 149 (6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time.

#### **3.2 Procedure to be followed by the Bank, while appointing directors,**

The Bank will ensure adherence to the below mentioned procedure:

- a. The appointment of Directors, including Part time Chairman and Managing Director, will be in accordance with the provisions of Companies Act 2013, Banking Regulation Act 1949 and RBI directions in force from time to time.
- b. The Bank will undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.
- c. Every year as on 31st March, a declaration from the director confirming that the information already provided has not undergone change and wherever there is any change, requisite details are furnished by them forthwith.

#### **3.3 Compliance to Statutory and Regulatory requirement**

The Bank will ensure compliance with the applicable requirements prescribed under the Companies Act, 2013, Banking Regulation Act 1949, SEBI/ RBI Guidelines, or any amendments thereof.

### **3.4 Fit and Proper Criteria**

The various 'Fit and Proper' criteria that need to be reviewed by the Committee before appointment of a person as Director or after a person is appointed as Director on continuing basis will include the following:

- a. Whether the Person is qualified to be appointed as Director or is not attracting any disqualifications as prescribed under various provisions of Companies Act, 2013, erstwhile Companies Act, 1956, Banking Regulation Act 1949 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
- b. Whether any Proceedings have been initiated against the person in the past and / or pending as on date involving any civil, criminal, economic offence, taxation authorities or relating to any other regulatory body such as SEBI, IRDA, MCA etc.
- c. Whether the person or the entities in which he is interested have been subject to any investigation at the instance of any Government Department or Agency;
- d. Whether the person or the entities in which the person is interested have been prosecuted / convicted for the violation of any economic laws and regulations.
- e. Whether the person who intends to be appointed as an Independent Director has been registered with the databank on Independent Directors maintained by Indian Institute of Corporate Affairs and has passed an online proficiency self-assessment test conducted by the Indian Institute of Corporate Affairs, if applicable, as may be required, under Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time.
- f. Whether the person who has been appointed as an Independent Director submits a declaration of compliance of sub-rule (1) and (2) of Companies (Appointment and Qualification of Directors) Rules, 2014 every year during his tenure along with other affirmations as required under Section 149 (7) of the Companies Act, 2013.
- g. The Committee will assess and evaluate the eligibility of the person based on the above mentioned, fit and proper criteria before any appointment or renewal of appointment of director and subsequently the aforesaid criteria will be reviewed /evaluated by the Committee on a continuing basis.

#### **4. Provisions in policy over and above but in consonance with RBI guide lines**

None

#### **5. Changes to the Policy**

Not Applicable

## 6. Periodicity of Review of the Policy

The Board will review this policy at annual intervals and at such intervals as may be required on the regulatory and other exigencies.

<b>Author of the Policy</b>	<b>Secretarial</b>
<b>Reviewer of the Policy</b>	<b>Compliance</b>
<b>Name of Committee which recommended to the Policy Formulation Committee of the Board</b>	<b>Executive Policy Formulation Committee</b>
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